

Inspector General

United States
Department of Defense



American Recovery and Reinvestment Act
Project—Repair and Modernization of
Littoral Combat Ship Squadron
Building at Naval Base
San Diego, California

Report Documentation Page				Form Approved OMB No. 0704-0188	
Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.					
1. REPORT DATE 11 JUN 2010		2. REPORT TYPE		3. DATES COVERED 00-00-2010 to 00-00-2010	
4. TITLE AND SUBTITLE American Recovery and Reinvestment Act Project?Repair and Modernization of Littoral Combat Ship Squadron Building at Naval Base San Diego, California				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Department of Defense Inspector General,400 Army Navy Drive (Room 801),Arlington,VA,22202-4704				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT Same as Report (SAR)	18. NUMBER OF PAGES 15	19a. NAME OF RESPONSIBLE PERSON
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified			

Additional Copies

To obtain additional copies of this report, visit the Web site of the Department of Defense Inspector General at <http://www.dodig.mil/audit/reports> or contact the Secondary Reports Distribution Unit at (703) 604-8937 (DSN 664-8937) or fax (703) 604-8932.

Suggestions for Audits

To suggest or request audits, contact the Office of the Deputy Inspector General for Auditing by phone (703) 604-9142 (DSN 664-9142), by fax (703) 604-8932, or by mail:

ODIG-AUD (ATTN: Audit Suggestions)
Department of Defense Inspector General
400 Army Navy Drive (Room 801)
Arlington, VA 22202-4704

<small>DEPARTMENT OF DEFENSE</small> hotline	To report fraud, waste, mismanagement, and abuse of authority. Send written complaints to: Defense Hotline, The Pentagon, Washington, DC 20301-1900 Phone: 800.424.9098 e-mail: hotline@dodig.mil www.dodig.mil/hotline
--	--

Acronyms and Abbreviations

NB San Diego	Naval Base San Diego
LCSRON	Littoral Combat Ship Squadron
FAR	Federal Acquisition Regulation
NAVFAC	Naval Facilities Engineering Command
IPT	Integrated Product Team
OMB	Office of Management and Budget
PWD	Public Works Department
QMAD	Quantitative Methods and Analysis Division



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

JUN 11 2010

MEMORANDUM FOR NAVAL INSPECTOR GENERAL
COMMANDING OFFICER, NAVAL FACILITIES
ENGINEERING COMMAND SOUTHWEST

SUBJECT: American Recovery and Reinvestment Act Project—Repair and
Modernization of Littoral Combat Ship Squadron Building at Naval Base
San Diego, California (Memorandum No. D2010-RAM-008)

We are providing this report for your information and use. We performed this audit in response to the requirements of Public Law 111-5, The American Recovery and Reinvestment Act of 2009. We considered management comments on a discussion draft of the report when preparing the final report. No additional comments are required.

We appreciate the courtesies extended to the staff. Please direct questions to Mr. Timothy Wimette at (703) 604-8876 (DSN 664-8876).

A handwritten signature in blue ink, reading "Alice F. Carey", is positioned above the typed name.

Alice F. Carey
Assistant Inspector General
Readiness, Operations, and Support



Results in Brief: American Recovery and Reinvestment Act Project—Repair and Modernization of Littoral Combat Ship Squadron Building at Naval Base San Diego, California

What We Did

Our overall objective was to evaluate DOD's implementation of the American Recovery and Reinvestment Act of 2009, February 17, 2009. Specifically, we determined whether Navy personnel adequately planned, funded, executed, tracked, and reported Project ST155-08, to repair and modernize the Littoral Combat Ship Squadron Building 55 at Naval Base San Diego, to ensure the appropriate use of Recovery Act funds.

What We Found

We determined that Project ST155-08 was justified and met the Recovery Act goals regarding accountability and transparency. Personnel at Naval Facilities Engineering Command Southwest Public Works Department at Naval Base San Diego planned, funded, executed, and had procedures in place to track and report the project as required by the Recovery Act and implementation guidance.

Although the contract initially omitted six required Federal Acquisition Regulation clauses, contracting personnel subsequently issued contract modifications to include the clauses.

What We Recommend

This report contains no recommendations.

Management Comments

We coordinated with Naval Facilities Engineering Command Southwest personnel on a discussion draft of this report and incorporated their information into the final report.



Modular Stairs over Existing Stairway at Naval Base San Diego, CA



Inefficient HVAC System at Naval Base San Diego, CA

Introduction

Objective

Our overall objective was to evaluate DOD's implementation of the American Recovery and Reinvestment Act of 2009 (Recovery Act), February 17, 2009. We reviewed the implementation of the DOD Recovery Act plans at the Service and installation levels to determine whether Navy personnel managed Recovery Act projects to achieve the accountability and transparency goals of the Recovery Act. Specifically, we determined whether personnel at Naval Base San Diego (NB San Diego) adequately planned, funded, executed, tracked, and reported Project ST155-08, to repair and modernize Building 55 at NB San Diego, to ensure the appropriate use of Recovery Act funds. See the appendix for a discussion of the audit scope and methodology related to the audit objective.

Background

In passing the Recovery Act, Congress provided supplemental appropriations to preserve and create jobs; promote economic recovery; assist those most impacted by the recession; provide investments to increase economic efficiency by spurring technological advances in science and health; and invest in transportation, environmental protection, and other infrastructure. The Recovery Act also established unprecedented efforts to ensure the responsible distribution of funds for its purposes and to provide transparency and accountability of expenditures by informing the public of how, when, and where tax dollars were being spent. Further, the Recovery Act states that the President and heads of the Federal departments and agencies were to expend these funds as quickly as possible, consistent with prudent management.

DOD received about \$6.8 billion¹ in Recovery Act funds to use for projects that support the Act's purpose. In March 2009, DOD released the expenditure plans for the Recovery Act, which list DOD projects (except for U.S. Army Corps of Engineer projects and the Homeowners Assistance Fund) that will receive Recovery Act funds. The Department of the Navy received \$1.928 billion in Recovery Act funds for Operations and Maintenance; Military Construction; and Research, Development, Test and Evaluation. Table 1 provides specific funds allocated to each appropriation.

¹ The \$6.8 billion does not include \$4.6 billion for the U.S. Army Corps of Engineers or \$555 million for the Homeowners Assistance Fund.

Table 1. Department of Navy Program-Specific Recovery Act Plans

Plan	Amount (millions)
Operations and Maintenance	\$916
Military Construction	937
Research, Development, Test and Evaluation	75
Total	\$1,928

Of the \$1.928 billion, the Department of Navy allocated approximately \$12.3 million (Operations and Maintenance) to support the repair and modernization of Littoral Combat Ship Squadron (LCSRON) Building 55 at NB San Diego. This project consists of repairs to deteriorated architectural, mechanical, and electrical components; updates to the fire protection systems; and seismic upgrades, which consist of steel braces to the outer walls of the building. The repairs will provide a consolidated space for LCSRON Headquarters, command suites, and administrative spaces.

Audit Results

We determined that Project ST155-08 met the standards for accountability and transparency as provided in the Recovery Act. The project was justified, and personnel at the Naval Facilities Engineering Command (NAVFAC) Southwest Public Works Department at NB San Diego (the PWD) planned, funded, and executed the project in order to achieve the goals of the Recovery Act. In addition, PWD personnel had procedures in place to track and report the project as required by the Recovery Act. Although the contract initially omitted six Federal Acquisition Regulation (FAR) clauses required by Recovery Act implementation guidance, contracting personnel subsequently issued contract modifications to include the clauses.

Planning

PWD personnel appropriately planned the project, which we determined to be justified. According to the project planning documents, the building is in an overall state of deterioration with windows boarded up for weather and security precautions. In addition, internal partitions and wall configurations inside this building do not facilitate an open office floor plan. The project planning documents state this project will increase the efficiency of the existing facility by opening the floor plan to allow for flexible uses and creating a secure area for shared use. The project will provide a consolidated space for the LCSRON Headquarters, command suites, and administrative spaces.

PWD personnel appropriately planned the project by completing a detailed cost estimate and economic analysis. PWD personnel based the cost estimate on the number of square feet requiring repair and modernization. Additionally, PWD personnel included an option in the proposal to upgrade the building to meet seismic standards. The economic analysis considered possible alternatives for providing administrative space for LCSRON such as maintaining the status quo, leasing, renovating, and construction. PWD personnel determined that renovation was the best option because it was less expensive than new construction.

Funding

Navy personnel distributed Recovery Act funds to the Building 55 repair and modernization project in a timely manner, and funding documents properly identified a Recovery Act designation. According to the funding documents, NAVFAC Southwest received approximately \$12.3 million in Recovery Act funds on September 25, 2009, and NAVFAC Southwest awarded the contract on September 30, 2009. Additionally, the funding documents identified the appropriate Recovery Act line of accounting for appropriation.

Execution

The NAVFAC Southwest Integrated Product Team at NB San Diego (the IPT) adequately performed initial execution of the Recovery Act project. In our evaluation of initial project execution, we determined whether NAVFAC Southwest competitively solicited and awarded the contract, with full transparency, and whether the contract contained the FAR clauses required by Recovery Act implementation guidance.

IPT personnel awarded the contract competitively at a firm fixed price of approximately \$12.3 million on September 30, 2009, one month earlier than the milestone in DOD's expenditure plan for the Recovery Act.

IPT personnel competitively issued the request for proposal, and three companies responded. The source selection board evaluated the proposals based on project work plan, past performance, schedule, and price. The source selection board selected R.A. Burch Construction Company, Incorporated (R.A. Burch Construction Co.) based on its overall "Excellent" technical rating and a proposed schedule that would complete construction 11 days ahead of the planned completion date. R.A. Burch Construction Co. also had the second lowest price and was a small business when the multiple award construction contract was awarded in January 2008. Although the company's status has changed since that time, its small business status will remain throughout the life of the multiple award construction contract. In addition, R.A. Burch Construction Co. registered on the Central Contractor Registration Web page, and the Excluded Parties List System did not include them as a debarred contractor.

Contracting personnel properly recorded contract actions to facilitate full transparency. Office of Management and Budget (OMB) Memorandum M-09-15, "Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009," April 3, 2009, describes requirements for reporting Recovery Act-funded actions in the Federal Procurement Data System and publicizing actions on the Federal Business Opportunities Web site. Contracting personnel properly reported the contract award in the Federal Procurement Data System and announced the solicitation and contract award on the Federal Business Opportunities Web site.

The contract originally omitted six FAR clauses; however, NAVFAC Southwest personnel subsequently modified it to include these clauses. NAVFAC Southwest contracting personnel included most of the required Recovery Act FAR clauses, including those for whistleblower protection, reporting, the Davis-Bacon Act, and the Buy American Act. However, we identified one missing subcontracting clause, FAR 52.244-6, "Subcontracts for Commercial Items" and five clauses required by FAR Part 23, "Environment, Energy, and Water Efficiency, Renewable Energy Technologies, Occupational Safety, and Drug-free Workplace." FAR Part 23 prescribes

policies and procedures for protecting and improving the quality of the environment. According to OMB Memorandum M-09-15, agencies must comply with the requirements of FAR Part 23 when acquiring supplies and services² using Recovery Act funds. The contract omitted the following clauses required by FAR Part 23:

- FAR 52.223-2, “Affirmative Procurement of Biobased Products Under Service and Construction Contracts;”
- FAR 52.223-7, “Notice of Radioactive Materials;”
- FAR 52.223-12, “Refrigeration Equipment and Air Conditioners;”
- FAR 52.223-15, “Energy Efficiency in Energy Consuming Products;” and
- FAR 52.223-17, “Affirmative Procurement of EPA-designated Items in Service and Construction Contracts.”

Without these clauses, Navy officials could not hold contractors accountable for all Recovery Act requirements or ensure the protection and improvement of environment. Since we identified this issue, NAVFAC Southwest contracting personnel modified the contract to include the six missing clauses. In addition, as a result of our review, NAVFAC personnel at NB San Diego created a reference list of applicable FAR clauses to use when awarding future Recovery Act contracts.

Tracking and Reporting

Although repair and modernization of Building 55 had not started at the time of our review, PWD personnel had adequate procedures in place to track and report the project. According to the construction manager, the engineering technician and he are responsible for monitoring the contract’s execution. Specifically, the construction manager will address nonconformances during project execution, and the engineering technician will monitor contractor schedules and ensure the contractor meets contract requirements. In addition, the project manager stated that he attends regular quality control and production meetings to monitor the quality and progress of the contractor’s work.

Furthermore, a supervisory contract specialist was monitoring the contractor reporting to ensure reports include the required Recovery Act information. FAR clause 52.204-11, “American Recovery and Reinvestment Act – Reporting Requirements,” requires contractors for Recovery Act projects to report project information at <http://www.FederalReporting.gov>. R.A. Burch Construction Co., Inc. reported the number of jobs created and the project’s total dollar value as required.

² According to the definition of an acquisition in FAR Subpart 2.101, construction is a service.

Conclusion

We concluded that the LCSRON Building 55 project was justified. Personnel at NAVFAC Southwest and NB San Diego adequately planned, funded, and executed Project ST155-08 in accordance with the accountability and transparency requirements of the Recovery Act. In addition, personnel at NAVFAC Southwest and NB San Diego had procedures in place to track and report the project as required by the Recovery Act. Although the contract originally omitted six FAR clauses, NAVFAC Southwest personnel subsequently modified it to include these clauses. Therefore, this report contains no recommendations.

Appendix. Scope and Methodology

We conducted this performance audit from September 2009 through May 2010. We interviewed key personnel from the NAVFAC Southwest IPT and PWD at NB San Diego. We reviewed documentation including the official contract file, economic analysis, cost estimate, DD Form 1391 and associated support, and processes for tracking and reporting Recovery Act projects. We also conducted a site visit to tour Building 55. We reviewed Federal, DOD, and Navy guidance, and compared this guidance with our audit results.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Use of Computer-Processed Data

We used computer-processed data from the Federal Procurement Data System, Central Contractor Registration, Excluded Parties List System, Federal Business Opportunities, www.federalreporting.gov, and other systems. However, our use of computer-processed data did not materially affect our audit results, findings, or conclusions, and the information we used was obtained from sources generally recognized as appropriate. Therefore, we did not evaluate the reliability of the computer-processed data we used.

Use of Technical Assistance

Before selecting DOD Recovery Act projects for audit, personnel in the Quantitative Methods and Analysis Division (QMAD) of the DOD Office of Inspector General analyzed all DOD agency-funded projects, locations, and contracting oversight organizations to assess the risk of waste, fraud, and abuse associated with each. QMAD personnel selected most audit projects and locations using a modified Delphi technique, which allowed them to quantify the risk based on expert auditor judgment and other quantitatively developed risk indicators. Initially, QMAD personnel selected 83 projects with the highest risk rankings. Auditors chose some additional projects at the selected locations.

QMAD personnel did not use classical statistical sampling techniques that would permit generalizing results to the total population because there were too many potential variables with unknown parameters at the beginning of this analysis. The predictive analytic techniques employed provided a basis for logical coverage not only of ARRA dollars being expended, but also of types of projects and types of locations across the Military Services, Defense agencies, State National Guard units, and public works projects managed by U.S. Army Corps of Engineers.

Prior Audit Coverage

The Government Accountability Office, the Department of Defense Inspector General, and the Military Departments have issued reports and memoranda discussing DOD projects funded by the Recovery Act. You can access unrestricted reports at <http://www.recovery.gov/accountability>.



Inspector General Department of Defense